

Message Text

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ACTION NEA-10

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-03 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FRB-03 AGR-05 OIC-02 PA-01 PRS-01 /131 W

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R 151210Z JUL 75 VOL ZDK

FM AMEMBASSY KUWAIT

TO SECSTATE WAHDC 3339

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

USINT BAGHDAD

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E.O. 11652: GDS

TAGS: ENRG KU

SUBJ: GOK OIL POLICY STATEMENT - EMBASSY COMMENT

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REF: KUWAIT 2973

1. REFTTEL OUTLINED MAJOR OIL POLICY STATEMENT BY KUWAIT OIL MINISTER KAZEMI TO PARLIMENT JULY 12. IT SIGNIFICANT AS RELATIVELY RARE PUBLIC, AUTHORITATIVE AND COMPREHENSIVE STATEMENT OF OIL POLICY. MOREOVER, IT PROVIDES INDICATIONS GOK ATTITUDES TOWARD OTHER IMPORTANT POLICY AREAS. A PRINCIPAL PURPOSE OF STATEMENT WAS TO DEFUSE OR DEFLECT TO DEGREE POSSIBLE DOMESTIC POLITICIZATION OF SUCH ISSUES AS PRODUCTION LEVEL AND KOC TAKE-OVER TALKS. TEMAINS TO BE SEEN HOWEVER WHETHER NATIONAL ASSEMBLY WILL TAMELY GO ALONG WITH ALL POLICIES SIMPLY BECAUSE GOK HAS PRESENTED WHAT IT CONSIDERS TO BE RATIONAL POLICY, EACH ELEMENT OF WHICH IS RELATED AND INTERDEPENDENT.

2. IN HIS SPEECH KAZEMI STRESSED GOK NOW HAS EFFECTIVE CONTROL OVER ITS OIL RESOURCES, BUT HE GINGERLY AVOIDED GETTING INTO TOO MUCH DETAIL WITH RESPECT TO KOC TAKEOVER TALKS. WE THINK HE WAS TRYING TO TELL NATIONAL ASSEMBLY COLLEAGUES THAT HOWEVER CONTROVERSIAL ISSUE OF KUWAITI CONTROL HAS BEEN IN PAST, OBJECTIVES HAVE NOW ALMOST COMPLETELY BEEN ACHIEVED. HE ALSO STRESSED ORGANIZATIONAL DEVELOPEMENTS, AND THIS PROBABLY REFLECTS HIS OWN PREOCCUPATION WITH OVERCOMING BUREAUCRATIC THREAT TO HIS AUTHORITY POSED BY KOGEK AND HIS EFFORTS TO FAIN CONTROL OF KUWAITS OIL BUREAUCRACY. CLEARLY, KNPC IS TO HAVE MAJOR ROLE. THIS IS INTERESTING SINCE POWERFUL MERCHANT COMMUNITY HAD BEEN ARGUEING FOR THIS FOR YEARS ONLY TO BE MEET BY ATEEQIS OPPOSITION. THEY HAVE NOW PREVAILED, BUT ONLY AFTER KNPC PRIVE OWNERSHIP NATIONALIZED. IT WILL BE INTERESTING TO SEE WHETHER KNPC TRIES TO ASSERT ITS INFULENCE IN OIL TRANSPORT AND PETROCHEMICALS AREAS WHERE STRONG AND AMBITIOUS MEN ARE LIKELY TO RESIST BECOMING SUBORDINATE TO THE COMPANY.

3. KAZEMIS SPEECH NOTEWORTHY FOR ARTICULATING EXISITING GOK POLICY TO EXPAND PETROLEUM-RELATED INDUSTRIAL AND TRANSPORT ACTIVITIES. AS DEPARTMENT AWARE, GOK IS PLANNING SPEND SEVERAL BILLION DOLLARS ON NEW REFINING, PETROCHEMICAL, GAS AND TANKER PROJECTS. MOREOVER, GOK GOING INTO SUCH PROJECTS VERY MUCH FOR COMMERICAL AND FINANCIAL BENEFITS, AS DISTINCT FROM WHATEVER POLITICAL AND PSYCHOLOGICAL GAINS THEY ENTAIL EVEN THOUGH SUCH CONSIDERATIONATIONS NOT IGNORED. SIMILARLY, GOK DIRECT CRUDE SALES BEING HADBLED AS COMMERICALLY AND NON-POLITICALLY LIMITED OFFICIAL USE

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AS POSSIBLE.

4. OF SPECIAL INTEREST WAS KAZEMIS HANDLING OF CRUDE PRODUCTION QUESTION. HE ADMITTED THAT CONSERVATION WAS BASIC TENET OF GOK OIL POLICY. HOWEVER, HE MADE POINT TO NATIONAL ASSEMBLY THAT LOCAL ECOMONIC DEVELOPEMENT REQUIREMENTS AND INTERNATIONAL MARKETING, FINANCIAL AND ECONOMIC ASSISTANCE COMMITMENTS AND REALITIES COULD REQUIRE HIGHER PRODUCTION THAT PRESENTLY IS

CASE. HE APPEALED, THEREFOR, FOR A FLEXIBLE PRODUCTION POLICY.

5. KAZEMI WNDDED SPEECH WITH DISCUSSION INTERNATIONAL POLICIES. HE GENERALLY REITERATED GOK SUPPORT FOR OPEC AND OAPEC, AND INDICATED KUWAIT WILL SUPPORT INTERNATIONAL CONFERENCE ON RAW MATERIALS. HIS REMARKS SUGGEST GOK WILL SUPPORT OPEC/LDG CONSENSUS ON RAW MATERIALS AND NEW INTERNATIONAL ECONOMIC ORDER QUESTIONS.

6. IN SUM, GOK OIL POLICY AS DESCRIBED BY MINISTER OF OIL CALLS FOR COMPLETE CONTROL OVER DOMESTIC PETROLEUM RESOURCES, INCOME MAXIMIZATION THROUGH GREATER KUWAITI REFINING, TRANSPORT, ETC., RELATIVELY LOW PRODUCTION AND A POSITION ON INTERNATIONAL QUESTIONS AIMED AT GAINING POLITICAL SUPPORT OF OTHER OPEC AND LDM COUNTRIES. THIS RATHER FIRM POLICY UNDOUBTEDLY WILL BE SOFTENED TO A DEGREE IN PRATICE BY DESIRE FOR FLEXIBILITY, COOPERATION AND PRAGMASTISM, WHEREVER POSSIBLE.
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